

Inqlis

ANNUAL REPORT 1977

Financial Highlights

	1977	1976
Sales	\$122,644,000	\$121,792,000
Net earnings	\$ 1,343,000	\$ 3,080,000
Per share	\$ 1.02	\$ 2.34
Dividends paid	\$ 526,000	\$ 526,000
Per share	\$.40	\$.40
Working Capital	\$ 26,203,000	\$ 20,310,000
Shareholders' equity	\$ 27,707,000	\$ 26,890,000
Per share	\$ 21.06	\$ 20.44

INGLIS LIMITED

14 Strachan Avenue, Toronto, Canada M6K 1W6

Le secrétaire, au siège social, vous fera
volontiers parvenir un exemplaire du rapport
annuel en français, sur demande.

Report of the Board of Directors

To the Shareholders:

Your Directors present herewith the Annual Report of your Company for the year ended December 31, 1977.

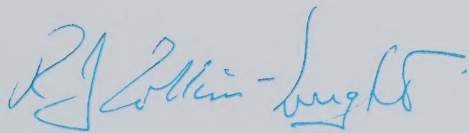
Net sales for the year ended December 31, 1977 amounted to \$122,644,000 compared to net sales of \$121,792,000 for the year ended December 31, 1976. Net earnings for 1977 were \$1,343,000 or \$1.02 per share, which includes \$397,000 or \$.30 per share through reduced income taxes as a result of the inventory allowance of 3%. Net earnings in 1976 amounted to \$3,080,000 or \$2.34 per share.

The modestly increased sales volume for the year reflects the soft consumer demand for major home appliances experienced by the industry through 1977. In addition to the soft market, the major factors that adversely affected 1977 earnings, as previously reported, were substantial increases in costs of materials, higher interest charges and unfavourable foreign exchange rates which were only partially offset by increases in selling prices. Results for the year also were affected by a strike at the Stoney Creek Plant early in the year and provisions made in the third quarter for losses in accounts receivable because of the bankruptcy of two of the Company's largest dealers in Ontario. The initial phase of the programme mentioned in our 1976 Annual Report to rearrange and expand manufacturing facilities at the Toronto Plant during 1977 has been delayed until mid 1978.

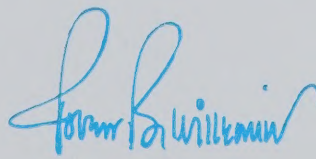
Current consumer demand for major home appliances continues at a relatively low level. Although the industry has forecast a unit sales volume for 1978 of about the same level as that attained in 1977, the Company expects, with its expanded line of refrigerators, to increase its share of the refrigerator market in 1978.

Your Directors wish to record their appreciation of the dedication and effort of the employees and the support of our suppliers and customers during the past year.

On behalf of the Board,



Robert J. Collins-Wright
President and Chief Executive Officer



Robert B. Willemin
Chairman of the Board

February 22, 1978

Balance Sheet

December 31, 1977 (with comparative figures at December 31, 1976)

INGLIS LIMITED

(Incorporated under the laws of Ontario)

Assets	1977	1976
Current assets		
Accounts receivable (note 2)	\$10,220,000	\$11,153,000
Inventories (note 2)—		
Finished products	18,918,000	17,805,000
Materials and work in process	15,236,000	13,827,000
	34,154,000	31,632,000
Prepaid expenses	356,000	587,000
Income taxes recoverable	243,000	—
Total current assets	44,973,000	43,372,000
Fixed assets		
Land	720,000	710,000
Buildings	9,354,000	7,895,000
Equipment	17,864,000	15,056,000
	27,938,000	23,661,000
Less accumulated depreciation	11,863,000	10,437,000
	16,075,000	13,224,000
Unamortized tooling costs	2,162,000	1,184,000
	18,237,000	14,408,000
	\$63,210,000	\$57,780,000

On behalf of the Board:

Robert B. Willemin, Director

Robert J. Collins-Wright, Director



Liabilities	1977	1976
Current liabilities		
Bank advances (note 2)	\$ 2,866,000	\$ 8,406,000
Accounts payable, warranties and accrued charges	14,470,000	11,512,000
Income and other taxes payable	—	1,683,000
Deferred service contract revenue	1,434,000	1,461,000
Total current liabilities	18,770,000	23,062,000
Provision for warranty	2,072,000	2,355,000
Deferred income taxes	2,661,000	1,473,000
Long-term debt (note 3)	12,000,000	4,000,000
Shareholders' equity		
Capital—		
Authorized 1,500,000 shares of no par value		
Issued 1,315,831 shares	11,814,000	11,814,000
Retained earnings	15,893,000	15,076,000
	27,707,000	26,890,000
	\$63,210,000	\$57,780,000

(See accompanying notes to financial statements)

Statement of Earnings

INGLIS LIMITED

For the year ended December 31, 1977 (with comparative figures for 1976)

	1977	1976
Sales	\$122,644,000	\$121,792,000
Earnings on operations before the undernoted . .	\$ 5,359,000	\$ 8,141,000
Less:		
Depreciation and amortization	1,894,000	1,685,000
Interest on long-term debt	1,178,000	365,000
Other interest expense	629,000	685,000
	3,701,000	2,735,000
Earnings before income taxes	1,658,000	5,406,000
Income taxes (note 4)	315,000	2,326,000
Net earnings for the year	\$ 1,343,000	\$ 3,080,000
Earnings per share	\$ 1.02	\$ 2.34

Statement of Retained Earnings

INGLIS LIMITED

For the year ended December 31, 1977 (with comparative figures for 1976)

	1977	1976
Retained earnings at beginning of year	\$ 15,076,000	\$ 12,522,000
Net earnings for the year	1,343,000	3,080,000
	16,419,000	15,602,000
Dividends	526,000	526,000
Retained earnings at end of year	\$ 15,893,000	\$ 15,076,000

(See accompanying notes to financial statements)

Statement of Changes in Financial Position

INGLIS LIMITED

For the year ended December 31, 1977 (with comparative figures for 1976)

	1977	1976
Working capital at beginning of year	\$20,310,000	\$19,731,000
Source of funds		
Operations—		
Net earnings for the year	1,343,000	3,080,000
Add (deduct) items not requiring an outlay of working capital		
Depreciation and amortization	1,894,000	1,685,000
Deferred income taxes	1,188,000	(274,000)
Increase (decrease) in long-term warranty provision	(283,000)	925,000
	4,142,000	5,416,000
Increase in long-term debt	8,000,000	—
	12,142,000	5,416,000
Application of funds		
Additions to fixed assets (net)	5,723,000	4,311,000
Dividends	526,000	526,000
	6,249,000	4,837,000
Increase in working capital	5,893,000	579,000
Working capital at end of year	\$26,203,000	\$20,310,000

(See accompanying notes to financial statements)

Notes to Financial Statements

INGLIS LIMITED

December 31, 1977

1. Summary of principal accounting policies

Inventories—

Inventories are valued at the lower of cost on a first-in, first-out basis or net realizable value.

Fixed assets—

Land, buildings and equipment are stated at cost. Depreciation is based on the estimated average useful lives of the various classes of assets, calculated on the straight-line method at rates varying from 2½% to 25%. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts and any gain or loss thereon is taken into earnings.

Major tooling costs are amortized over one to five years based on the estimated useful life of the tool.

Service contract revenue—

Service contract revenue is deferred on receipt and amortized over the one-year term of the service contract.

Product warranty—

The company recognizes the estimated cost of warranty obligations to the consumers of its products at the time the product is sold.

Income taxes—

As a result of differences in the timing of expenses for tax and book purposes, income taxes currently payable differ from the provision for taxes shown on the statement of earnings. Deferred taxes applicable to the current portion of warranty obligations and differences relating to current assets giving rise to current deferred taxes payable have been grouped and shown with prepaid expenses.

Deferred taxes applicable to the use of accelerated depreciation for income tax purposes, and to other non-current items, are classified as deferred income taxes.

Investment tax credits—

The benefits arising from the investment tax credit provisions of the Income Tax Act are treated as a reduction of the current year's income tax provision.

Foreign exchange—

Current assets and liabilities in United States currency have been converted into Canadian dollars at the rate of exchange in effect at December 31, 1977.

2. Bank advances

Accounts receivable and inventories have been pledged to the bank as security for the bank advances.

3. Long-term debt

At December 31, 1977, \$12,000,000 of 11% Secured Sinking Fund Debentures, Series "A", maturing February 1, 1994 were outstanding with sinking fund payments commencing February 1, 1981 at the rate of \$850,000 annually to 1993 and \$950,000 at maturity.

These debentures are secured by a first floating charge on the undertaking and assets of the company subject to the pledge of assets referred to in note 2. The trust indenture includes provisions relating to the level of working capital and restrictions on payment of dividends. The most restrictive of the provisions limits dividends to 70% of the net earnings accumulated after December 31, 1975. The accumulated amount (as defined) available for payment of dividends is \$2,044,000 as at December 31, 1977.

4. Income taxes

The provision for income taxes for the year ended December 31, 1977 has been reduced by \$397,000 as a result of the 3% inventory allowance.

5. Directors' and senior officers' remuneration

The aggregate direct remuneration for the year paid or payable to directors and senior officers amounted to \$576,000.

6. Commitments

Based on the latest actuarial valuation of the company's pension and retirement plans, it is estimated that the unfunded obligation of the company for past service pension benefits is approximately \$2,100,000. The obligation will be funded and absorbed against income by annual payments to the Trustee based upon amortization periods not exceeding fifteen years.

7. Anti-Inflation Program

The company is subject to, and believes it has complied with, controls on prices, profits, employee compensation and shareholder dividends under the Federal Anti-Inflation Act.

Auditors' Report

To the Shareholders of Inglis Limited:

We have examined the balance sheet of Inglis Limited as at December 31, 1977 and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, January 31, 1978.

Clarkson, Gordon & Co.
Chartered Accountants

Five Year Statistical Review 1973—1977

(In Thousands of Dollars)

INGLIS LIMITED

	1977	1976	1975	1974	1973
Operations					
Sales	\$122,644	\$121,792	\$110,498	\$87,567	\$92,027
Earnings before income taxes	\$ 1,658	\$ 5,406	\$ 5,302	\$ 3,677	\$ 6,422
Per cent to sales	1.4%	4.4%	4.8%	4.2%	7.0%
Net earnings for the year	\$ 1,343	\$ 3,080	\$ 3,068	\$ 2,039	\$ 3,660
Per cent to sales	1.1%	2.5%	2.8%	2.3%	4.0%
Per share	\$ 1.02	\$ 2.34	\$ 2.33	\$ 1.55	\$ 2.78
Earned on shareholders' equity	4.9%	12.0%	13.3%	9.7%	19.8%
Dividends paid	\$ 526	\$ 526	\$ 526	\$ 461	\$ 198
Per share	\$.40	\$.40	\$.40	\$.35	\$.15
Depreciation on buildings and equipment	\$ 1,463	\$ 1,221	\$ 1,149	\$ 985	\$ 744
Amortization of tooling	\$ 431	\$ 464	\$ 511	\$ 375	\$ 400
Additions to land, buildings and equipment—net	\$ 4,314	\$ 3,629	\$ 1,233	\$ 1,431	\$ 3,197
Additions to tooling	\$ 1,409	\$ 682	\$ 299	\$ 416	\$ 1,068
Balance Sheet					
Working capital	\$ 26,203	\$ 20,310	\$ 19,731	\$16,934	\$15,293
Ratio of current assets to current liabilities	2.40:1	1.88:1	2.28:1	1.48:1	1.91:1
Land, buildings and equipment—net	\$ 16,075	\$ 13,224	\$ 10,816	\$10,732	\$10,286
Unamortized tooling	\$ 2,162	\$ 1,184	\$ 966	\$ 1,178	\$ 1,137
Long-term debt	\$ 12,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Shareholders' equity—					
Capital	\$ 11,814	\$ 11,814	\$ 11,814	\$11,814	\$11,814
Retained earnings	\$ 15,893	\$ 15,076	\$ 12,522	\$ 9,980	\$ 8,402
	\$ 27,707	\$ 26,890	\$ 24,336	\$21,794	\$20,216
Number of shares outstanding (in thousands)	1,316	1,316	1,316	1,316	1,316
Book value per share	\$ 21.06	\$ 20.44	\$ 18.49	\$ 16.56	\$ 15.36
Non-Financial					
Number of employees (year end)	1,881	2,070	1,933	2,225	2,173
Number of shareholders (year end)	869	929	974	1,013	1,072

Directors

Donald S. Anderson

Herbert K. Anspach

Charles-É. Bélanger

Sidney L. Boyar

Air Marshal Hugh Campbell, C.B.E., C.D.

Robert J. Collins-Wright

James D. Irving

Douglas J. Peacher

R. Barrett Simpson

Humphrey B. Style

Robert B. Willemin

Bankers

The Royal Bank of Canada
Royal Bank Plaza,
Toronto, Canada M5J 2J5

Auditors

Clarkson, Gordon & Co.
P.O. Box 251,
Toronto-Dominion Centre,
Toronto, Canada M5K 1J7

Transfer Agent and Registrar

Canada Permanent Trust Company
20 Eglinton Avenue West,
Toronto, Canada M4R 2E2
600 Dorchester Boulevard West,
Montreal, Canada H3B 1N6

Stock Exchanges

Common Stock of Inglis Limited
is listed on The Toronto Stock Exchange
and the Montreal Stock Exchange.

The exchange symbol for Inglis Limited is ING.

Officers

Robert B. Willemin

Chairman of the Board

Robert J. Collins-Wright

President and Chief Executive Officer

Gordon I. Forsell

Vice President—
Inglis and Whirlpool Sales

Peter A. Ketchum

Vice President—
Physical Distribution

G. Douglas Smith

Vice President—
Personnel

Norman A. Stewart

Vice President—
Consumer Services

Edward J. Von Arb

Vice President—
Engineering

Alfred C. Chink

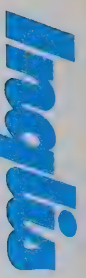
Comptroller and Treasurer

Donald H. Hobbs

Corporate Secretary

The complete Inglis product line is listed below:

automatic washers
automatic dryers
refrigerators
ranges
dishwashers
Trash Masher compactors
dehumidifiers
fuel pumps
coin operated laundry equipment
commercial icemakers



INGLIS LIMITED

14 Strachan Avenue, Toronto, Canada M6K 1W6

AR12

**Manufacturers and
Distributors of:**

automatic washers
automatic dryers
refrigerators
ranges
dishwashers
Trash Masher compactors
dehumidifiers
fuel pumps
coin operated laundry equipment
commercial icemakers

Inqlis

INGLIS LIMITED
14 Strachan Avenue, Toronto, Canada
M6K 1W6

Inqlis

INTERIM REPORT 1977

6 months ended June 30, 1977

Interim Report 1977

Statement of Earnings

	Period of Three Months Ended June 30	
	1977	1976
Sales	\$30,747,000	\$27,203,000
Earnings before undernoted items.....	\$ 1,282,000	\$ 2,278,000
Deduct:		
Depreciation and amortization.....	504,000	412,000
Interest	547,000	321,000
	1,051,000	733,000
Earnings before income taxes	231,000	1,545,000
Provision for income taxes.....	101,000	680,000
Net earnings for the period.....	\$ 130,000	\$ 865,000
Per share	\$.10	\$.65

Statement of Changes in Financial Position

Source of funds:

Operations—

Net earnings for the period	\$ 130,000	\$ 865,000
Depreciation and amortization	504,000	412,000
Deferred income taxes	15,000	25,000
Debenture Issue	—	—
Increase (decrease) in long-term warranty provision	(93,000)	23,000
	556,000	1,325,000

Application of funds:

Additions to fixed assets—net.....	1,811,000	922,000
Dividends	132,000	131,000
	1,943,000	1,053,000

Increase (decrease) in working capital.....	(1,387,000)	272,000
Working capital at beginning of period.....	26,232,000	21,145,000
Working capital at end of period.....	\$24,845,000	\$21,417,000

NOTE: The above financial statements are unaudited.



Period of Six Months
Ended June 30

1977	1976
\$54,365,000	\$52,840,000
\$ 2,259,000	\$ 4,903,000
958,000	811,000
859,000	393,000
1,817,000	1,204,000
442,000	3,699,000
194,000	1,628,000
\$ 248,000	\$ 2,071,000
\$.19	\$ 1.57

\$ 248,000	\$ 2,071,000
958,000	811,000
77,000	50,000
8,000,000	—
(93,000)	50,000
9,190,000	2,982,000
4,393,000	1,033,000
262,000	263,000
4,655,000	1,296,000
4,535,000	1,686,000
20,310,000	19,731,000
\$24,845,000	\$21,417,000

Interim Report 1977

Statement of Earnings

Sales	
Earnings before undernoted items	
Deduct:	
Depreciation and amortization	
Interest	
Earnings before income taxes	
Provision for income taxes	
Net earnings for the period	
Per share	

Statement of Changes in Financial Position

Source of funds:	
Operations—	
Net earnings for the period	
Depreciation and amortization	
Deferred income taxes	
Debenture Issue	
Increase (decrease) in long-term warrants	

Application of funds:	
Additions to fixed assets—net	
Dividends	

Increase (decrease) in working capital	
Working capital at beginning of period	
Working capital at end of period	

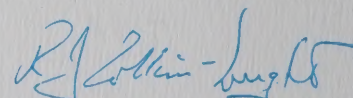
NOTE: The above financial statements are unaudited.

To the Shareholders:

Sales by the Company in the quarter ended June 30, 1977 were \$30,747,000 as compared to sales of \$27,203,000 in the corresponding period last year. Sales for the six month period ended June 30, 1977 were \$54,365,000 as compared to sales of \$52,840,000 for the first six months of 1976.

Operations resulted in net earnings of \$130,000 or 10¢ per share for the 1977 second quarter and \$248,000 or 19¢ per share for the 1977 first half, as compared to net earnings of \$865,000 or 65¢ per share and \$2,071,000 or \$1.57 per share respectively for the corresponding periods in 1976.

The results for the first half of 1977 were adversely affected by increased interest expense and other cost increases which have exceeded the benefits obtained from higher prices and cost control efforts, and the strike at the Stoney Creek Plant.



Robert J. Collins-Wright
President and Chief Executive Officer

August 26, 1977.